

R 091352Z JUL 08
FM AMEMBASSY PRAIA
TO SECSTATE WASHDC 1505
INFO ECOWAS COLLECTIVE
AMEMBASSY PRAIA

UNCLAS PRAIA 000187

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [EAGR](#) [EAID](#) [ECON](#) [ECIN](#) [EFIN](#) [ENRG](#) [CV](#)

SUBJECT: DETERMINED TO COMBAT ITS ECONOMIC CRISIS, CAPE VERDE REFUSES
THE EASY WAY OUT

¶1. SUMMARY: On July 2, the GoCV and the Transition Support Group (TSG) for Cape Verde's -- a group of about two dozen bilateral and multilateral donors that coordinate efforts to smooth Cape Verde's graduation from the UN's list of Least Developed Countries (LDC) to that of Developing Countries -- gathered for the fifth roundtable meeting in Praia. The newly named Minister of Foreign Affairs, Jose Brito, conducted the meeting in conjunction with the Minister of Finance, Cristina Duarte, Secretary of State of Foreign Affairs Jorge Borges, the United Nations Resident Coordinator Petra Lantz-de Bernardis, and the representatives of all UN agencies. During the meeting the Ministers presented the 2008-2011 Growth and Poverty Reduction Strategy for Cape Verde, and with the full support from the UN, requested its development partners assist in covering the approximately 568 million dollars gap existing in its 2008-2011 financing budget. This conference concluded with the signature of the "One Program" between Cape Verde and the United Nations finalizing a 15 month negotiations on the process of UN's reorganization in Cape Verde putting in place the "Delivering as One" strategy. (END SUMMARY)

¶2. For Minister Cristina Duarte, the international oil crisis, persistent droughts, insularity and other structural vulnerabilities such as total dependency on external oil, and food products remain serious concerns. Duarte said that her government would not make the mistake to subsidize the crisis and is looking for alternative solutions, that although less popular will deliver better results. The GoCV's strong belief is that the solution lies in transforming vulnerabilities into competitive advantages by heavily investing in human resources, creative thinking, and creating a friendly business environment. This is the positive note in which GoCV approached its partners in development to present the new development strategy designed to address the challenges the country faces.

¶3. With serious internal insufficiencies in important sectors such as energy and water supply, coupled with the loss of competitiveness caused by the increase of oil products and food product (of which Cape Verde is almost totally dependent on external sources) and the repercussion it has on its underprivileged population, Cape Verde remain highly vulnerability. To overcome successfully the challenges ahead, Cape Verde is pursuing an agenda of transformation which according to Duarte is based on 5 key elements: Good Governance, Development of Human Capital, Competitiveness, Development of Infrastructures, and most importantly Social Cohesion.

¶4. Duarte announced also that the government has decided to take major macroeconomic policies to provide improved efficiency and effectiveness of economic regulation. The review of fiscal policies for 2008-09 will consider a tax reduction both for individual and corporate taxes. The GOCV hopes such a move would energize the private sector, create new job opportunities, encourage development of the financial system, boost savings and therefore contribute for the development of capital markets. Strengthening the broad economic base in this way, the GOCV seeks to blunt the impact of the international crisis and its impact on Cape Verde's economy,

¶5. Minister Brito, who until the day before was the Minister of Economy (including industry and energy affairs), added that Cape Verde will focus on developing renewable energy to prevent a repeat of the current energy crisis. The goal is to rely 25% upon renewable energy by 2011 and 50% by 2020. There are plans

also to make the island of Sal fully (100%) reliant on renewable energy (a combination of solar, wind, wave, biomass) over the next 5 to 10 years.

¶6. The GoCV presented a very detailed development program for 2008-2011, in which it identified areas of intervention by projects and by financing partners. To accomplish these goal, the GOCV will call upon the assistance of bilateral and multilateral development partners, including the United Nations. GOCV and UN representatives called on all donors to intensify budgetary and/or project support for the multi-year programming in order to cover a gap of approximately 568 million dollars.

¶7. Unanimously, the international partners praised Cape Verde's government for the presentation of a clear strategy based on the transparency and good governance, and for the courage and determination to secure progress in the face of various challenges, without giving in to the temptation in obtaining short term political gains. Representatives of bilateral missions and international organizations expressed their intention to continue to assist Cape Verde highlighting the specific contributions they were able to make, given their policies and priorities.

¶8. COMMENT: Cape Verde was listed as a "Less Developed Country" (LDC) in 1977, two years after its independence. In January 2008, four years after the United Nations Resolution 59/210 recommendation, Cape Verde graduated from a Least Developed Country to a Lower Middle Income Country. The decision was based on the country's fulfilling two of the three exit criteria. The two criteria met were: Income and of Human Assets. Cape Verde, however, did not meet the third exit criterion of Economic Vulnerability. In this regard, the country remains highly vulnerable to exogenous economic shocks, and its score is well below the threshold for exit from the LDC. It is most unfortunate that Cape Verde, which according to the latest IMF report, has had "impressive economic performance over the last few years reflecting a prudent macroeconomic administration and economic reforms" will be hit with an exogenous economic crisis in a time that it has also to face the challenges deriving from its too recent graduation as a LDC.

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